

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
TWELFTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards

AG-12-21 Referring to Exhibit BSG/SAB-1, page 34, please provide a complete copy of the U.S. Salary Increase Survey for 2004 and 2005.

Response: Please see Attachment AG-12-21. The underlying document for Attachment AG-12-21 is over 800 pages. Therefore, the document is bulk. Bay State is providing the information to the Department and the Attorney General on a CD, and any other party may obtain a copy upon request.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-8 In the Company's last rate case, D.P.U. 92-111 (1992), Bay State calculated its health care expense by multiplying health care costs by 70.30% to estimate O&M expense that is recoverable as known and measurable test year adjustment. D.P.U. 92-111, p. 104, fn 35. In this case, Bay State is using a factor of 75.64%. Please provide back up calculations and assumptions as necessary to explain the difference in these factors.

Response: Please refer to Attachment AG-15-8A for the calculations supporting the O&M expense percentage used by the Company in D.P.U. 92-111. In D.P.U. 92-111, this support was filed as Workpaper BSG-4-5, pages 1 and 2.

Please refer to Attachment AG-15-8B for the computations supporting the O&M expense percentage used in by the Company in the instant proceeding. This schedule shows a capitalization percentage of 24.36%. The O&M percentage is $100\% - 24.36\%$, which is 75.64%.

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D. P. U. 92-
Workpaper BSG-4-6
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BAY STATE GAS COMPANY

Payroll by Account Used to Allocate
Combined Utility and Non-Utility O & M Costs

Line No.	Acct. No.	Gross Payroll	Reallocation of Clearing Accounts				Total Payroll As Alloc.	Adjustments	Total Payroll As Adj.	Expense (E) Capital (C) Non-Util. (NU)	
			Stores %	Clearing Amount	Auto %	Clearing Amount					
1	Auth.	7,075,871	80.70%	427,372	31.55%	180,914	7,684,157		7,684,157	C	
2	242	135,006	0.00%	0	0.00%	0	135,006	135,006 (a)	0	-	
3	146	22,712	0.00%	0	0.00%	0	22,712	22,712 (b)	0	-	
4	163	529,581	0.00%	(529,581)	0.00%	0	0		0	-	
5	183	51,219	0.00%	0	0.00%	0	51,219		51,219	C	
6	184	573,420	0.00%	0	0.00%	(573,420)	0		0	-	
7	184	92,972	0.00%	0	0.00%	0	92,972	92,972 (e)	0	-	
8	184	61,522	0.00%	0	0.00%	0	61,522	61,522 (f)	0	-	
9	185	2,752,658	0.00%	0	0.00%	0	2,752,658	51,814 (c)	2,700,844	C	
10	186	497,279	0.00%	0	0.00%	0	497,279		497,279	C	
11	254	264,207	0.23%	1,218	0.00%	0	265,425		265,425	C	
12	263	68,397	0.00%	0	0.00%	0	68,397		68,397	E	
13	412	25,243	0.00%	0	0.04%	229	25,472		25,472	E	
14	415	215,482	1.65%	8,738	0.45%	2,580	226,800		226,800	NU	
15	421	1,124,239	0.32%	1,695	2.16%	12,386	1,138,320		1,138,320	NU	
16	423	274,892	0.00%	0	0.00%	0	274,892		274,892	NU	
17	495	162,867	0.00%	0	0.10%	573	162,867		162,867	E	
18	710	112,432	0.00%	0	0.30%	1,720	114,152		114,152	E	
19	717	3,794	0.00%	0	0.01%	57	3,851		3,851	E	
20	719	16,363	0.00%	0	0.26%	1,491	17,854		17,854	E	
21	735	148,388	0.01%	53	1.20%	6,881	155,322		155,322	E	
22	740	79,757	0.00%	0	0.28%	1,606	81,363		81,363	E	
23	741	13,744	0.00%	0	0.06%	344	14,088		14,088	E	
24	742	120,211	0.02%	106	0.42%	2,408	122,725		122,725	E	
25	750	479,858	0.00%	0	2.45%	14,049	493,907		493,907	E	
26	754	49,802	0.00%	0	0.12%	688	50,490		50,490	E	
27	757	31,167	0.00%	0	0.18%	1,032	32,199		32,199	E	
28	759	16,299	0.00%	0	0.11%	631	16,930		16,930	E	
29	775	233,016	0.00%	0	1.29%	7,397	240,413		240,413	E	
30	780	60,419	0.00%	0	0.16%	917	61,336		61,336	E	
31	781	30,637	0.00%	0	0.14%	803	31,440		31,440	E	
32	782	165,444	0.00%	0	0.35%	2,007	167,451		167,451	E	
33	813	101,718	0.00%	0	0.00%	0	101,718		101,718	E	
34	850	651,104	0.00%	0	2.77%	15,884	666,988		666,988	E	
35	851	726,493	0.00%	0	0.00%	0	726,493		726,493	E	
36	852	430,348	0.00%	0	1.55%	8,888	439,236		439,236	E	
37	857	144,664	0.02%	106	0.84%	4,817	149,587		149,587	E	
38	874	1,530,785	1.08%	5,719	6.40%	36,699	1,573,203		1,573,203	E	
39	878	2,060,197	0.55%	2,913	7.73%	44,325	2,107,435		2,107,435	E	
40	879	2,382,833	6.74%	35,694	6.66%	38,190	2,456,717		2,456,717	E	
41	880	219,911	0.03%	159	0.75%	4,301	224,371		224,371	E	
42	881	66	0.00%	0	0.00%	0	66		66	E	
43	882	1,034	0.00%	0	0.00%	0	1,034		1,034	E	
44	885	1,363	0.00%	0	0.00%	0	1,363		1,363	E	
45	886	10,383	0.00%	0	0.06%	344	10,727		10,727	E	
46	887	1,245,536	3.36%	17,794	5.99%	34,349	1,297,679		1,297,679	E	
47	889	137,242	0.02%	106	0.53%	3,039	140,387		140,387	E	
48	892	1,093,552	2.10%	11,121	4.90%	28,098	1,132,771		1,132,771	E	
49	893	321,915	0.24%	1,271	0.16%	917	324,103		324,103	E	
50	894	683,986	0.63%	3,336	1.31%	7,512	694,834		694,834	E	
51	901	462,316	0.00%	0	0.37%	2,122	464,438		464,438	E	
52	902	1,131,036	0.16%	847	3.36%	19,267	1,151,150		1,151,150	E	
53	903	3,062,570	0.24%	1,271	8.26%	47,365	3,111,206		3,111,206	E	
54	911	474,455	0.00%	0	0.00%	0	474,455		474,455	E	
55	912	1,263,990	0.93%	4,925	0.07%	401	1,269,316		1,269,316	E	
56	913	64,027	0.00%	0	0.00%	0	64,027		64,027	E	
57	916	16,085	0.01%	53	0.00%	0	16,138		16,138	E	
58	920	9,425,787	0.00%	0	4.78%	27,409	9,453,196		9,453,196	E	

Reallocation of Clearing Accounts

Attachment 16-15-84

Line No.	Acct. No.	Gross Payroll	Stores %	Clearing Amount	Auto %	Clearing Amount	Total Payroll As Alloc.	Adjustments	Total Payroll As Adj.	Expense (E) Capital (C) Non-Util. (NU)
59	921	27,565	0.15%	794	0.02%	115	28,474		28,474	E
60	925	330	0.00%	0	0.00%	0	330		330	E
61	926	192,841	0.31%	1,842	0.00%	0	194,483	194,605 (d)	(122)	E
62	930	19	0.01%	53	0.00%	0	72		72	E
63	932	383,745	0.17%	900	1.44%	8,257	392,902		392,902	E
64	933	377,308	0.02%	106	0.00%	0	377,413		377,413	E
65	934	90,304	0.30%	1,589	0.42%	2,408	94,300		94,300	E
66										
67	Total	44,203,833	100.00%	0	100.00%	0	44,203,832	558,631 (1)	43,645,201 (2)	
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Adjustments

Westborough Move Costs	135,006 (a)
Direct Charges to Northern Util	22,712 (b)
Workmen's Comp. Payments	51,814 (c)
Westborough Move Costs	107,959 (d)
Flexible Spending Benefits	5,744 (d)
Supplemental Life Insurance	80,902 (d)
Allocation to Granite State	92,972 (e)
Auto Allowance (Personal Use)	61,522 (f)

Total Adjustments 558,631 (1)

O & M Expense Allocation %

Expense	30,680,976	70.30%
Capital	11,198,924	25.66%
Non Utility	1,640,012	3.76%
C.A.R.E.S.	125,289	0.28%
	43,645,201 (2)	100.00%

**BAY STATE GAS COMPANY
EMPLOYEE BENEFITS
January 2005**

**BAY STATE
CAPITALIZED OVERHEADS**

SOURCE	DESCRIPTION	AMOUNT	TOTAL	PERCENT
GL800	TOTAL PAYROLL 2005 khalix	\$37,962,000		100.00%
	PENSIONS:			
926-01	EMPL BENEFITS-PENSIONS	\$4,124,000		
	TOTAL PENSIONS		\$4,124,000	10.86%
	GROUP INSURANCE & OTHER:			
926-00	FB OTHER (Incentive)	\$0		
926-02	GROUP HEALTH	\$5,255,000		
926-03	GROUP LIFE	\$166,000		
926-04	SAFETY EQUIPMENT	\$99,303 04		
926-05	PHYSICALS/MERCER	\$14,966 04		
926-06	MEDICARE	\$12,188 04		
926-08	STD & LTD DISABILITY	\$161,000		
926-09	HMO HEALTH INS	\$12,974 04		
926-10-20	SAFETY EQUIPMENT	\$42,686 04		
926-11	PRESCRIP DRUG INS	\$34,990 04		
926-12	DENTAL INS	\$376,000		
926-13	COMPANY 401K MATCH	\$758,000		
926-14	PROFIT SHARING	\$0		
926-18	POST RET BENEFITS EST.	\$3,441,000		
926-19	DEPENDENT CARE			
926-22-26	STOCK PROGRAM/SERVERANCE			
923-81	BENEFIT CHOICE DEDUCTIONS			
	TOTAL GROUP INSURANCE & OTHER		\$10,374,107	27.33%
	Hewitt (Profit Share +\$34K)	\$14,315,000		
	PAYROLL LIABILITY INSURANCE:			
925-00	INJURIES & DAMAGES - MISC			
925-01	PAYROLL LIABILITY			
925-02	EXCESS LIABILITY			
925-03-04	SAFETY/ACC PREVENTION			
925-06	WORKER'S COMPENSATION	\$615,410 JG Est		
925-07	GENERAL LIABILITY			
925-08	AUTO LIABILITY	\$115,050 JG Est		
925-09	EXCESS AEGIS			
925-10	OTHER COVERAGE			
	TOTAL PAYROLL LIABILITY II	0	\$730,460	1.92%
	PAYROLL TAXES:			
408-13	FEDERAL UNEMPLOYMENT	\$34,890 04		
408-14	F.I.C.A.	\$2,125,887 04		
408-16	MA STATE HEALTH(CO PORTN)	\$0 04		
408-22	HOSP INS. EXP(FED)	\$519,190 04		
408-25	STATE UNEMPLOYMENT	\$610,946 04		
	TOTAL PAYROLL TAXES		\$3,290,913	8.67%
	TOTAL BENEFITS		\$18,519,480	48.78%
	CAPITAL BENEFITS		\$4,512,088	24.36%
	TOTAL DIRECT PAYROLL - CWIP #107		\$3,947,801	
	CAP FR AS A % OF DIRECT PAY			114.29%

SOURCE	DESCRIPTION	BROCKTON	SPRINGFIELD	LAWRENCE	WESTBORO	TOTAL
	PAYROLL CAPITALIZED:					
GL800	DEF DR-CAP OF O/H #185	\$1,481,236	\$1,326,918	\$319,470	\$1,789,289	\$4,916,912
GL800	COSTRUCTION W.I.P. #107	\$2,076,889	\$1,408,367	\$462,545	\$0	\$3,947,801
GL800	COST OF REMOVAL # 254	\$212,330	\$141,726	\$30,296	\$0	\$384,351
	SUB TOTAL	\$3,770,454	\$2,877,011	\$812,310	\$1,789,289	\$9,249,065
	DIV AS % OF TOTAL	50.54%	38.57%	10.89%	0.00%	100.00%
	WESTBORO PAYROLL ALLOC	\$904,375	\$690,075	\$194,839	(\$1,789,289)	\$0
	BASED ON DIV % OF TOT					
	Total Capital Less C Of R					
24.36%	TOTAL CAPITAL PAYROLL	\$4,674,829	\$3,567,086	\$1,007,149	\$0	\$9,249,065
	Capital Labor %	50.54%	38.57%	10.89%	0.00%	100.00%
	Cap Benfits For Cap Pay	2,280,581	1,740,177	491,330	0	4,512,088
	EMPLOYEE BENEFITS CAPITALIZED BASED ON CALCULATED PERCENTAGES:					
10.86%	PENSIONS	507,731	387,419	109,386	0	1,004,536
27.33%	GROUP INSURANCE	1,277,742	974,970	275,278	0	2,527,990
1.92%	PAYROLL LIABILITY	89,765	68,494	19,339	0	177,598
8.67%	PAYROLL TAXES	405,343	309,293	87,327	0	801,964
48.78%	TOT CAP EMPL BENE CALC	2,280,581	1,740,177	491,330	0	4,512,088
	Monthly Effect on Inc. Stmt	190,048	145,015	40,944	0	376,007
	Monthly JE					
	PENSIONS	42,311	32,285	9,115	0	83,711
	GROUP INSURANCE	106,479	81,247	22,940	0	210,666
	PAYROLL LIABILITY	7,480	5,708	1,612	0	14,800
	PAYROLL TAXES	33,779	25,774	7,277	0	66,830
	Balance Sheet - Capital Overhea	(190,048)	(145,015)	(40,944)	0	(376,007)
	Fringe Benefits as a Percentage of Direct Labor					
CM20 Percentage		109.81%	123.56%	106.22%	#DIV/0!	114.29%
	Total Indirect Payroll	\$1,157,722	\$1,063,010	\$219,941	\$0	\$2,440,674
	Westboro Allocation	904,375	690,075	194,839		\$1,789,289
	Total Indirect Labor	\$2,062,097	\$1,753,085	\$414,780	\$0	\$4,229,963
	% of Indirect Labor of DL	99.29%	124.48%	89.67%	#DIV/0!	107.15%
	Total Non Productive	\$323,514	\$263,908	\$99,529	\$0	\$686,950
	Total	\$323,514	\$263,908	\$99,529	\$0	\$686,950
	% of Non-Prod Labor of DL	15.58%	18.74%	21.52%	#DIV/0!	17.40%
	Total Indirect %	114.86%	143.21%	111.19%	#DIV/0!	124.55%
	Ind. Lab. & Non-prod. based on G/L breakdown					
	% Breakdown of Westboro Indirect Lab.					
	Mass:					
	New Hamp.					
	Maine					
	TOTAL			\$367,200		

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-12 For the years 2005 (to date), 2004, 2003, 2002, 2001 and 2000, please provide the following information regarding the Company's sales promotional expenses:

- (a) The annual level of the Company's sales promotion expenses;
- (b) The amount of expenses recovered through rates; and
- (c) Detailed list of the promotional expenses by type--including but not limited to expenses spent on print advertising, TV advertising, radio advertising, contractor incentives, rebates and/or equipment giveaways.

Response: (a) The Company's total advertising, marketing and sales promotion expenses for the years 2000 through May of 2005 are as follows.

2000	\$689,470
2001	\$697,598
2002	\$356,751
2003	\$185,330
2004	\$310,266
2005	\$114,023

(b) The amount currently included in rates is \$471,355.

(c) The list of advertising, marketing, sales and promotion expense by type is presented in Table AG-15-12 on page 2. Some detail is not available for expenses incurred or credits received in 2000 through 2003 and is excluded from the table.

Tables AG-15-12

Advertising, Marketing and Sales Promotion by Type

	2000	2001	2002	2003	2004	2005
Print Advertising	105,169	252,390	279,846	169,900	242,105	107,523
Radio Advertising	0	0	0	0	16,850	2,750
Contractor Incentives	66,012	47,505	13,770	3,700	2,000	0
Rebates and Incentives	333,872	108,113	9,809	5,803	27,553	0
Other - On Hold Messaging	78	917	1,064	801	980	306
Marketing Lists	1,822	5,585	1,965	0	9,305	354
Other Trade Ally Expenses	24,109	28,742	69,397	6,706	11,609	3,090
Customer and Trade Ally Meeting	0	823	3,872	0	0	0
Total	531,062	444,075	379,722	186,910	310,402	114,023

Expenses in 2004 and 2005 can be broken out in greater detail.

Print Advertising	2004	2005
Guardian Care	126,101	4,762
Rental Water Heaters	3,393	12,503
Annual Inspections	64,984	40,737
Furnace and Boiler Installations	29,269	28,177
Natural Gas Conversion Package	18,356	0
Builder Developer Gas Installation Package	0	21,343
Total	242,105	107,523

Radio Advertising	2004	2005
Furnace and Boiler Installations	11,000	1,375
Rental Water Heaters	5,850	1,375
Total	16,850	2,750

Other Trade Ally Expenses	2004	2005
Participating Contractor Brochure	3,338	3,090
Homebuilders Association Dues	1,935	0
Contractor Mediation	6,336	0
Total	11,609	3,090

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Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-13 Please indicate the anticipated level of the Company's sales promotional expense for this year.
(a) please indicate the amount of sales promotional expense for which the Company is seeking DTE approval to recover through rates; and
(b) please indicate whether and how the level of promotional expenses will be adjusted from year to year under the Company's proposed filing.

Response: The budgeted sales promotion expense for 2005 is \$180,900 as outlined in the table below.

Table AG-15-13 (a)

Category	Budget
Customer Incentive Programs	\$86,000
Trade Ally Programs	\$25,000
Conversion Programs	\$9,200
New Construction Programs	\$21,000
Demo & Selling Programs	\$39,700
Total	\$180,900

In addition, the Company has budgeted \$310,500 for advertising. The breakdown of advertising expenses is presented in the following table.

Table AG-15-13 (b)

Category	Budget
Guardian Care	\$168,700
Rental Water Heaters	\$43,500
Annual Inspections	\$60,400
Furnace and Boiler Installations (below the line)	\$37,900
Total	\$310,500

(a) The amount of sales promotion and advertising expenses included in test year O&M expense is \$240,545. Please see the response to MOC-1-3. The amount of sales promotion expense is \$55,745.

- (b) The amount of promotional expense will vary from year to year based on market conditions and printing and other marketing costs. Please note that the budget amounts to be spent for 2005 are higher than the amounts spent during the test year. The amount of recovery will not change until the Company files another general rate case.

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D. T. E. 05-27

Date: June 29, 2005

Responsible: Stephen H. Bryant, President

AG-15-14 Refer to Exhibit BSG-SHB-1, p. 2-53. Please provide a fully allocated embedded cost of service for each of the Company's EPS lines of business (including but not limited to water heater sales and rental business and the Guardian Care business). The cost of service must allocate all costs including O&M, advertising, customer service and accounting, depreciation, taxes, wages, salaries, benefits, other overheads and provide the test year earned return on the line of business' rate base. Rate base must include, but is not limited to, all equipment in stock and leased to customers, an allocation of office, garage and storage space, cash working capital allowance. Provide all workpapers, calculations and assumptions as working spreadsheet models. The supporting documentation must include the derivation of all allocation factors. For each EPS line of business, indicate whether the costs and revenues are "above the line" or "below the line" and provide citations to Department orders authorizing this treatment.

Response: The Company does not have a fully allocated embedded cost of service for each of the Company's EP&S lines of business. After discussing the issue with the Company's consultant, it is estimated that such a study would take up to a month to complete and would cost approximately \$15,000 - \$25,000.

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Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-15 Please provide the revenue generated from each EPS line of business for the years 1999-2004. Include supporting documentation, including the number of sales by type and the number of rental contracts by type, number of installations performed by type, and the number of service contracts by type. Provide the corresponding revenue for each of these categories (the sum of the revenue detail by category should equal the annual revenues).

Response: Please see Attachment AG-15-15.

HVAC - Below the Line	2000	2001	2002	2003	2004
Furn & Boiler Installs					
Revenue (\$000)	\$ 2,110.2	\$ 1,979.2	\$ 1,767.3	\$ 2,007.2	\$ 2,309.8
# Installs	1,175	637	597	603	725
Other Installs					
Revenue (\$000)	\$ 184.9	\$ 338.7	\$ 383.0	\$ 407.7	\$ 453.2
# Installs	291	693	715	635	664
Total HVAC Below the Line					
Revenue (\$000)	\$ 2,295.1	\$ 2,317.9	\$ 2,150.3	\$ 2,414.9	\$ 2,763.0

HVAC - Above the Line	2000	2001	2002	2003	2004
Fee For Service and Inspections					
Revenue (\$000)	\$ 1,626.5	\$ 1,661.5	\$ 1,555.2	\$ 1,003.8	\$ 2,088.9
# Repairs & Inspections	17,280	14,587	13,196	8,068	19,709
Guardian Care					
Revenue (\$000)	\$ 3,280.2	\$ 3,531.8	\$ 4,033.6	\$ 4,694.7	\$ 5,613.8
# Contracts	33,466	39,106	43,315	45,867	48,537
# Repairs	15,280	16,185	16,967	19,981	22,266
Total HVAC Above the Line					
Revenue (\$000)	\$ 4,906.7	\$ 5,193.3	\$ 5,588.8	\$ 5,698.5	\$ 7,702.7

Leasing Services - Above the Line	2000	2001	2002	2003	2004
Water Heater Rentals					
Revenue (\$000)	\$ 4,861.0	\$ 4,819.8	\$ 4,798.8	\$ 4,814.9	\$ 4,859.2
# Contracts	37,931	37,455	36,652	35,969	35,000
# Repairs	3,791	4,111	4,014	3,542	3,593
Conv Burner Rentals					
Revenue (\$000)	\$ 1,001.8	\$ 2,051.2	\$ 2,254.9	\$ 2,281.1	\$ 1,965.2
# Contracts	15,986	14,618	13,320	11,887	10,441
# Repairs	1,139	2,148	1,987	1,809	1,560
Total Leasing Services					
Revenue (\$000)	\$ 5,862.8	\$ 6,871.0	\$ 7,053.7	\$ 7,096.0	\$ 6,824.4

Total Revenue (\$000)	2000	2001	2002	2003	2004
Above the Line	\$ 10,769.5	\$ 12,064.3	\$ 12,642.5	\$ 12,794.5	\$ 14,527.1
Below the Line	\$ 2,295.1	\$ 2,317.9	\$ 2,150.3	\$ 2,414.9	\$ 2,763.0
Total Revenue (\$000)	\$ 13,064.6	\$ 14,382.2	\$ 14,792.8	\$ 15,209.4	\$ 17,290.1

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-17 Refer to the Company's response to DTE 4-1. Please explain, in detail, the changes to the Company's accounting for costs and changes to the recovery of costs through the CGA and LDAC that are the basis for the netting out of LDAC tracker costs that is discussed in the response. Provide copies of all Department orders authorizing the changes.

Response Prior to 2002, Bay State recorded the recovery of the various non-gas cost related CGA and LDAC items in Account 813 – Other Gas Supply expenses. Included in the various non-gas cost items were Environmental Remediation Costs, Demand Side Management Costs and Bad debt costs.

In 2002, the accounts used to record these expenses were changed to operation and maintenance accounts. The method of calculating and recognizing the expense was not changed – only the classification used to record the expense.

The company feels these non-gas items are more appropriately recorded as operation and maintenance items as the underlying costs are not gas supply costs. The recovery mechanism, whether in base rates or in the LDAC/CGA, should not determine the account charged. Expenses should be charged to the appropriate account as described.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-15-18 Refer to the Company's response to DTE 4-1. For each year included in Mr. Kaufman's "cost trend analysis," provide the amount of the costs that were subject to the netting, both the base and the amount of the netting adjustment. Provide the data by account number (down to the lowest level of sub account). Include a reconciliation of the data with the Company's Annual Return to the Department with copies of the relevant pages of the Returns.

Response: Please see Attachment AG-15-18.

Bay State Gas Company
GAS OPERATION AND MAINTENANCE EXPENSES
For the years 1993 through 2004

Line No.	Account	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
1	Total gas operation and maintenance expenses per page 10 lines 4 & 5											
2	of Annual Report to D. T. E.	281,738,208	293,969,589	282,483,994	278,242,901	331,557,758	285,893,484	246,965,116	306,055,971	339,986,404	285,920,590	365,371,639
3	Less Total Production Expenses (Gas Costs)	216,323,207	231,445,849	216,184,833	211,051,617	249,885,810	200,721,440	172,869,001	228,314,706	264,816,504	192,584,560	270,384,719
4	Less LDAC Bad Debt (904-2000)	0	0	0	0	0	0	0	0	0	3,492,516	5,303,552
5	Less LDAC Tracker - DSM Recovery (923.13)	0	0	0	0	0	0	0	0	0	5,085,103	4,734,615
6	Less LDAC Tracker - Choice Recovery (923.14)	0	0	0	0	0	0	0	0	0	593,027	555,012
7	Less LDAC Tracker - ERC Recovery (932.03)	0	0	0	0	0	0	0	0	0	370,590	1,011,731
8	Less LDAC Tracker - Unbilled Reversed (921.50)	0	0	0	0	0	0	0	0	0	0	343,246
9	Adjusted O & M Expense	65,415,001	62,523,740	66,299,161	67,191,284	81,671,948	85,172,044	74,096,114	77,741,265	75,169,900	83,794,794	83,038,764

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTEENTH SET OF INFORMATION REQUESTS FROM ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: Stephen H. Bryant, President

AG-18-10 For the years 2003, 2004 and 2005, please provide a list of all the phone numbers made available by the Company, and NiSource, to customers and prospective customers of any type in the Company's service territory. For each phone number, explain all of the options available and whether a live representative or an automated voice service initially answers the call.

Response: Attachment AG-18-10 (a) is a list of all phone numbers made available by the Company to customers and prospective customers. Not all of these telephone numbers broadly published, but all can be used to reach the Company for conducting business.

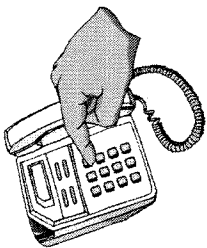
Attachment AG-18-10 (b) are charts of options available through the Company's interactive voice response (IVR) system.

Department	Telephone Number
Billing Inquiries Springfield, Brockton, Lawrence	800-882-5454 413-731-7668 413-586-7298 978-687-1663
Credit Inquiries Springfield, Brockton, Lawrence	800-688-6160 413-731-7883
24 Hr. Heating & Water Heating Repair Service/Open-Close Accounts Brockton-Springfield-Lawrence	800-677-5052 413-781-3610 413-586-2400 978-685-6382
Gas Leak Emergency (24 hr) Brockton-Springfield-Lawrence	800-525-8222
Demand Side Management	800-232-0120
Sales & Retail Services	877-427-4748
Division Offices Brockton	800-698-0940
Brockton	508-580-0100
Springfield	413-781-9200
Lawrence	978-687-1105
Lawrence	888-782-9068
Westboro	508-836-7000

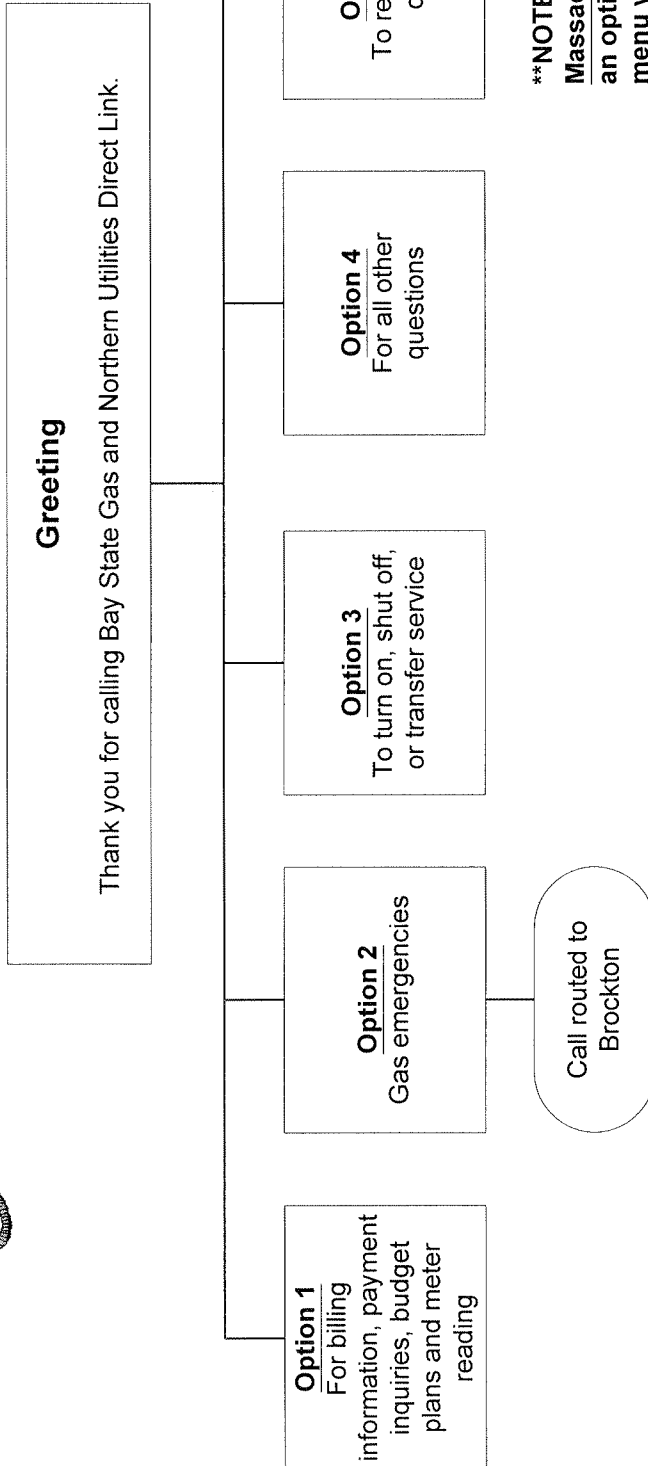


BAY STATE GAS & NORTHERN UTILITIES DIRECT LINK

**Effective 4/4/2003
Revised 5/20/2004
(MASSACHUSETTS VERSION)**

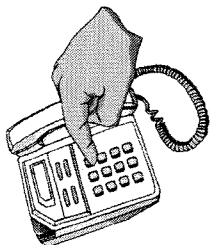


MAIN MENU



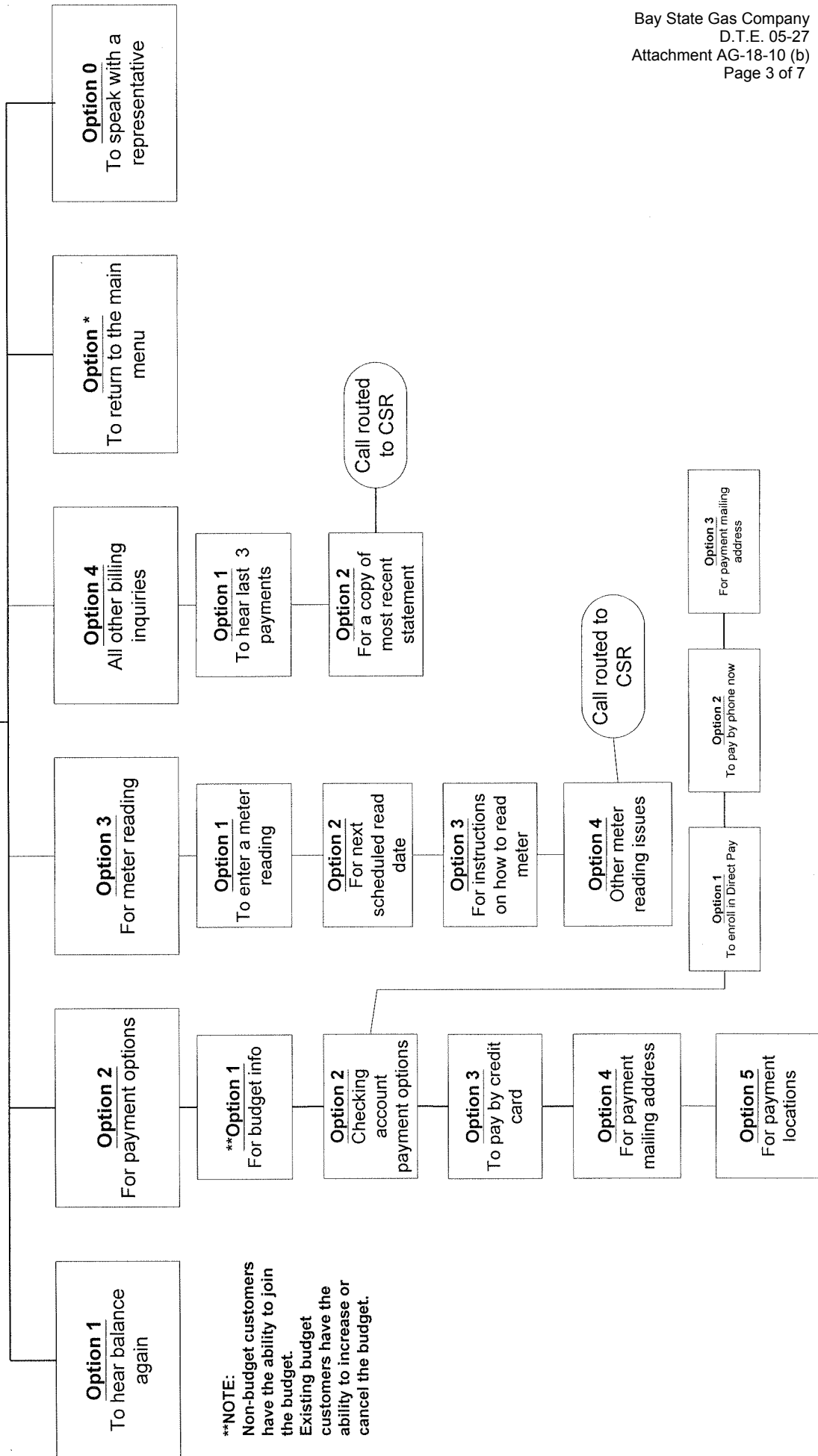
****NOTE:**

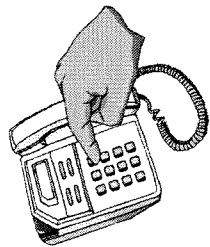
Massachusetts: If the customer doesn't select an option after hearing the main menu, the menu will be repeated and the "0" option will then be provided.



BILLING & PAYMENT INFORMATION (Current)

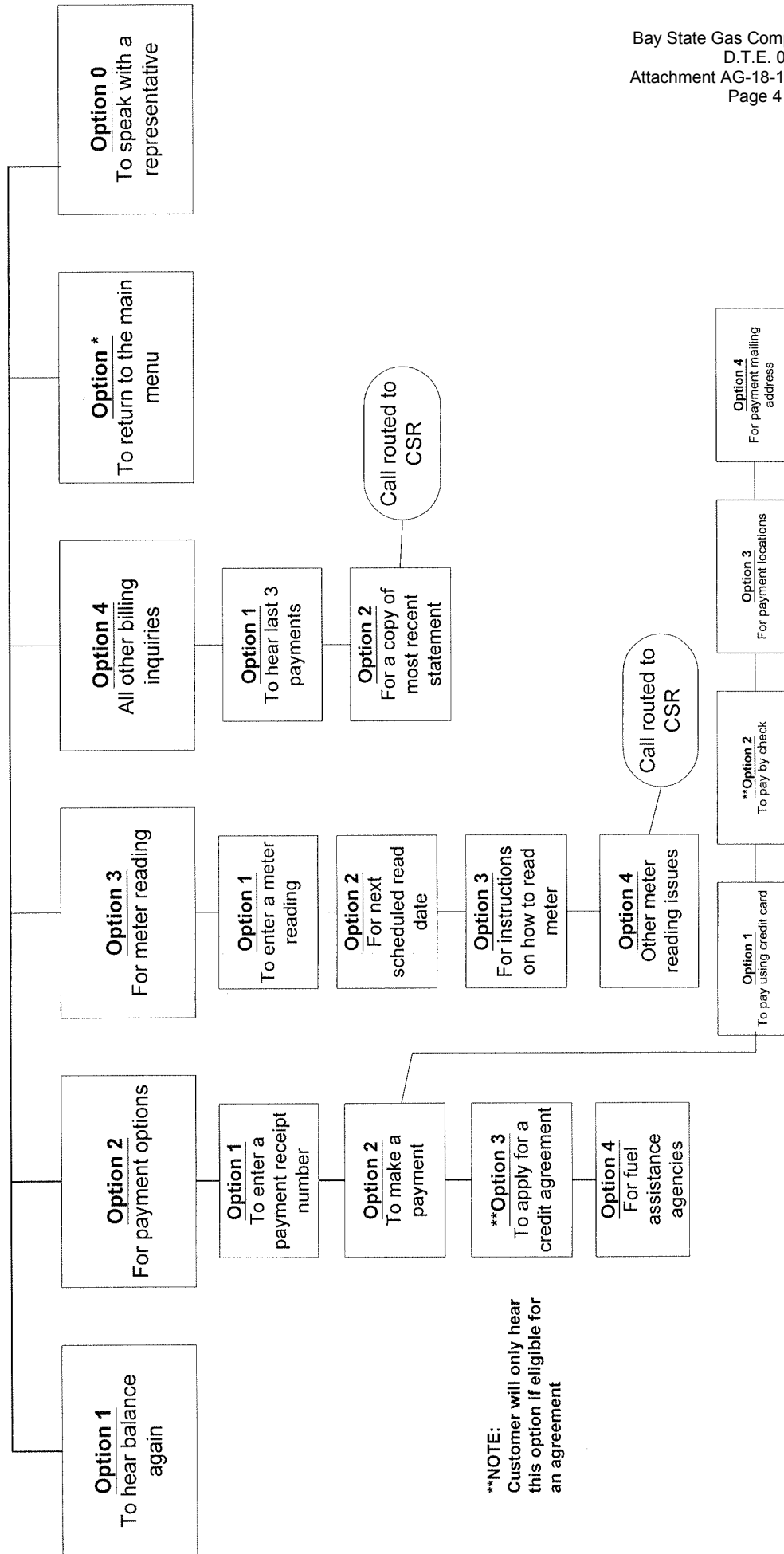
Customer is provided with current amount due, due date, and last payment information. Budget information will also be provided if customer is on a budget plan.





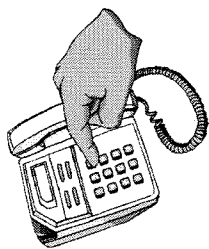
BILLING & PAYMENT INFORMATION (Past Due)

Customer is provided with total balance, previous balance, due date, and last payment information. Budget information will also be provided if customer is on a budget plan.



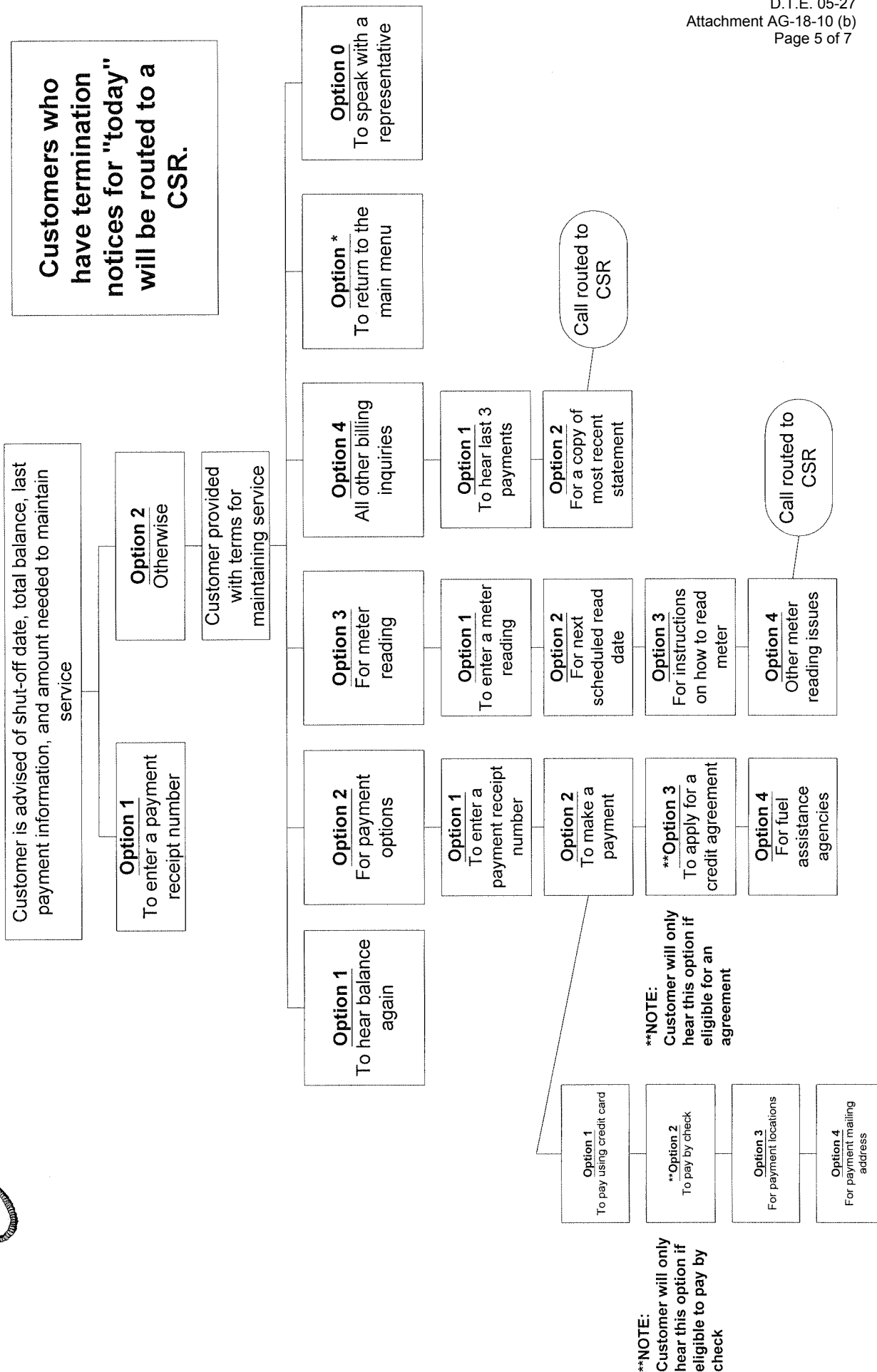
****NOTE:**
Customer will only hear this option if eligible for an agreement

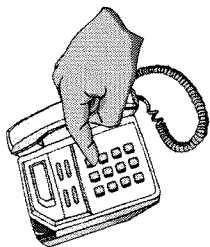
****NOTE:**
Customer will only hear this option if eligible to pay by check



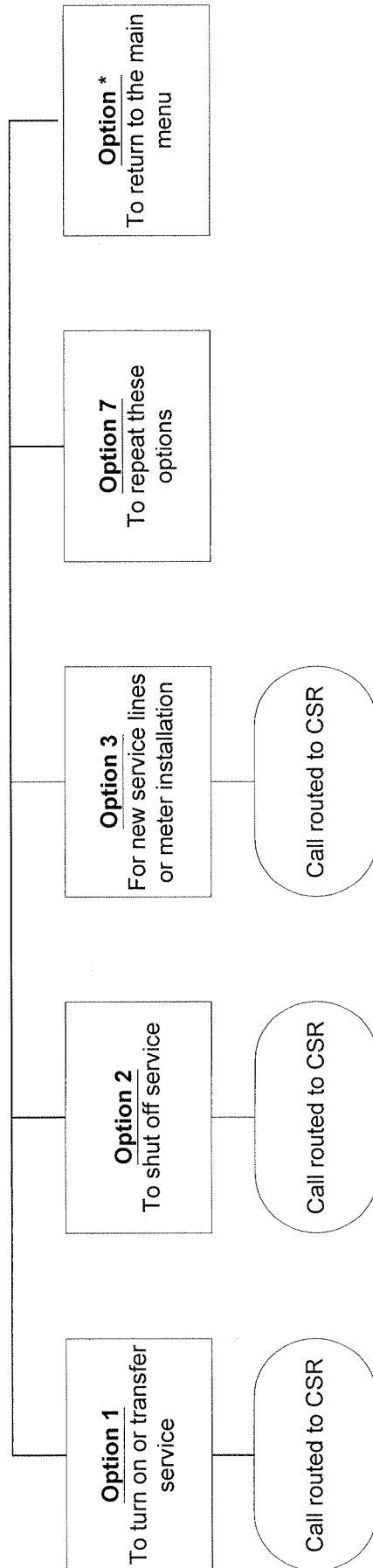
BILLING & PAYMENT INFORMATION

(Termination notice)



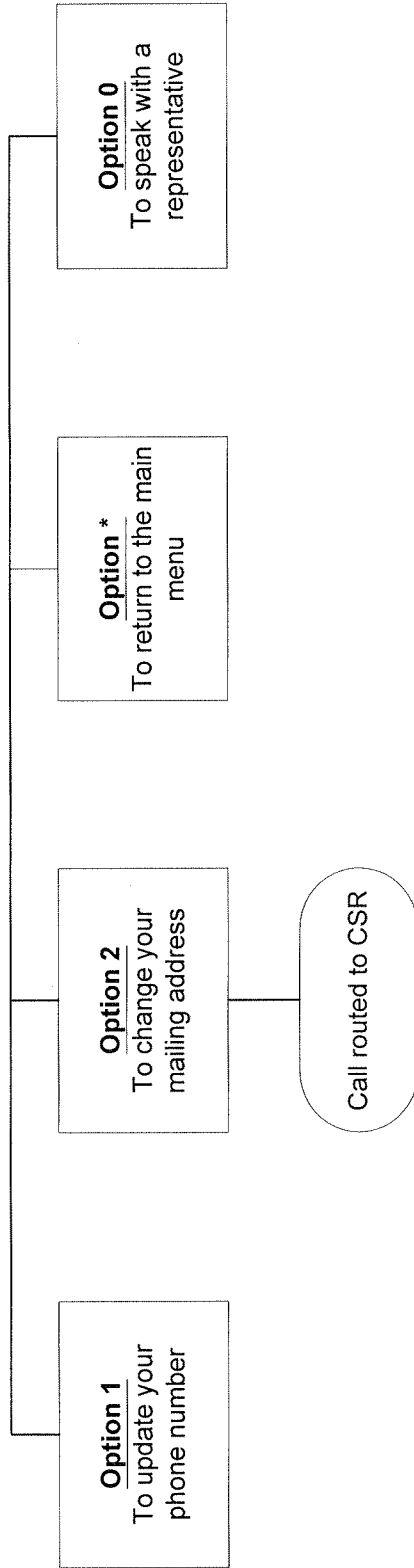


TURN ON/SHUT OFF/TRANSFER SERVICE





ALL OTHER QUESTIONS



COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINETEENTH SET OF INFORMATION REQUESTS FROM ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-5 Referring to the Company's response to Information Request AG-1-25, please breakout the workpapers, calculations, formulas, assumptions, and other supporting documentation for the \$64,747 "Equity Return" amount shown for the Northern Utilities building.

Response: The workpapers are included in Bay State's response to AG-1-28, at Attachment AG-1-28 E.

At the bottom of page 1 of 3 of Attachment AG-1-28E, the total rate base (Net Book value of the building less deferred taxes) as of 12/31/03 for the New Hampshire building is calculated - \$1,863,969.

Page 3 of 3 in Attachment AG-1-28E provides the last approved rate of return for Northern New Hampshire – 7.85%

The total return on the building is \$146,322 (or $\$1,863,969 \times 7.85\%$).

The portion allocated amongst Bay State Massachusetts, Northern Maine and Northern New Hampshire is 44.25% of the total return on the building or \$64,747 ($44.25\% \times \$146,322$).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINETEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY
GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-19-8 Referring to the Company's response to Information Request AG-1-27, please identify the nature of the functions of each of the Cost Centers 5500, 5315, 3500, and 3315, referred to in Part (C) of that response.

Response: Cost Center 3315 is the Retail Services Marketing cost center. All marketing and advertising expenses are charged to that cost center.

The other Cost Centers referenced are the Company's Sales and Retail Services employees. Some employees are dedicated to throughput sales, some are dedicated to Retail Services, and some are split between the two activities. The functions provided in these cost centers are centralized management, inside sales, and reporting for both throughput sales and Retail Services, field sales activity for throughput sales, and back office support for Retail Services.

Cost center 3500 are such costs as described above incurred by Bay State on behalf of Bay State and Northern and are included in Bay State's management fee. Cost Centers 5315 and 5550 are such costs as described above incurred by Northern Utilities on behalf of Bay State and Northern Utilities that are included in Northern Utilities' management fee.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
NINETEENTH SET OF INFORMATION REQUESTS FROM ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-9 Referring to the Company's response to Information Request AG-1-27, please provide a complete and detailed description of the methodology used to allocate the Call Center costs in cost center 02235.

Response: Please refer to Bay State's response to AG-19-11. Bay State's response to AG-19-11 provides a detailed description of the assignment of dispatching costs. The assignment of Call Center cost is consistent with that of the dispatching costs.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
NINETEENTH SET OF INFORMATION REQUESTS FROM ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-10 Referring to the Company's response to Information Request AG-1-27, please provide a complete and detailed description of the methodology used to allocate the Revenue Recovery costs in cost center 02240.

Response: Please refer to Bay State's response to AG-19-11. Bay State's response to AG-19-11 provides a detailed description of the assignment of dispatching costs. The assignment of Revenue Recovery cost is consistent with that of the dispatching costs.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
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D. T. E. 05-27

Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-11 Referring to the Company's response to Information Request AG-1-27, please provide a complete and detailed description of the methodology used to allocate the Dispatch costs in cost center 01271.

Response: Please refer to Bay State's response to AG-1-27, at Attachment AG-1-27 (D) – page 3 of 6. At the top left corner of Attachment AG-1-27, a group of cost center numbers and descriptions are noted. These cost centers (1230 Billing through 03105 W'Boro Bldg costs) are allocated among Bay State Massachusetts, Northern New Hampshire and Northern Maine via the 3-factor formula. This group of cost centers includes the 01271 – Dispatch costs.

Using the 01271 – Dispatch cost as an example, the following highlights the accumulation of the January 2004 costs that were included in the allocation of costs made in February 2004. The January costs include \$72,265 of wage/salary costs and \$6,742 of other costs related. The third column of numbers (untitled) reflects the payroll overheads associated with the \$72,265. In the case of January 2004, the payroll overhead rate of 50.37% is multiplied by the \$72,265 of payroll to provide for the payroll taxes and employee benefit costs related to the Dispatch employees.

The fourth column shows a total of \$115,406 and reflects the total of all costs associated with the Dispatch. The total costs of \$1,284,655 reflects the sum of all the cost centers.

The 3 factor formula percentages for 2004 were 83.6% - Massachusetts and 16.4% split between the Northern jurisdictions. Of the \$1,284,655 total costs for January 2004 - \$210,683 or 16.4% were allocated to Northern New Hampshire and Northern Maine.

The two remaining cost centers 03500 – Energy Products and Services and 03315 – Marketing were allocated on special percentages as noted on the bottom left of Attachment AG-1-27 (D).

Attachment AG-1-27 (C) provides a summary of the 2005 allocation percentages as well as the support on how the percentages are calculated. The three part formula used to allocate the 01271 – Dispatch costs is detailed on page 2 of Attachment AG-1-27 (C). This allocation factor uses 3 factors:

- Gross Utility Plant less goodwill
- O&M net of management costs
- Number of retail customers

The prior year data is accumulated for Bay State Massachusetts, Northern Maine and Northern New Hampshire. A percentage is calculated for each state on each factor. The final 3 factor formula is the average of the 3 factor's percentages.

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Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-12 Referring to the Company's response to Information Request AG-1-29, please reconcile the rent revenues shown on that page with the amount shown on page 43, line 19 – 493 Rent from Gas Property of the Company's 2004 Annual Return to the Department.

Response: The 493 account noted in the Annual Report to the Department includes additional items as follows:

Building Rent to Northern noted in AG-1-29	\$ 871,002
LNG Tank Lease Revenue	\$ 625,000
Energy USA – LPG	<u>\$ 17,331</u>
Total	\$1,513,333

The LNG Tank Lease reflects rental revenue derived from leasing space in the Easton LNG facility during the peak customer usage months.

The Energy USA - LPG reflects charges associated with Energy USA renting portions of the Brockton LPG facility.

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
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Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-28 Referring to the Company's response to Information Request AG-1-57, please provide a complete and detailed description of the reasons that the Account 692205 Payroll/Benefit cost transferred for Management Fee billings decreased by over one million dollars during the test year.

Response: New accounts were added in 2004 to track the management fee billings to and from Northern Utilities. In 2003, all management fee billings were recorded in 692205. In 2004, these costs were recorded in new separate accounts 692315, 692316, 692318.

A reasonable review of the change in Management Fee billings between 2003 and 2004 would be as follows:

<u>Account</u>	<u>2003</u>	<u>2004</u>
692205	(\$1,048,024)	\$27,000
692315		(\$855,687)
692316		(\$996,677)
692318		\$894,392
Total	(\$1,048,024)	(\$930,972)

The net credit for the management fees was \$117,052 less in 2004 versus 2003.

One contributor to the change relates to the allocation of the Westboro building costs. In 2003 the 692205 includes credits for the portion of the Westboro building costs that were allocated to Northern. In 2004, these costs were not part of the management fee, rather recorded as rent revenue 649376 and 649377.

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D. T. E. 05-27

Date: June 29, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

AG-19-29 Referring to the Company's response to Information Request AG-1-57, please breakout the Account 692200 Payroll/Benefit costs transferred to Capital between Payroll and Benefits.

Response: Refer to Bay State's response to AG-4-6(A), in particular Attachment AG-4-6 (A).

Attachment AG-4-6 (A) provides the calculation used to determine the pension, group insurance (including PBOP) and workers compensation costs that were capitalized in 2004. The 2004 impact of recording this study was:

Construction Work in Progress	\$2,923,987
Pension capitalized Account 692200	(\$842,918)
Group Insurance capitalized Account 692200	(\$1,895,642)
Payroll liability insurance capitalized Account 692200	(\$185,427)

Account 692200 is credited based on this study for all the employee benefit costs noted in the study. This account does not include the actual payroll dollars capitalized.

The total credits to Account 692200 for 2004 were \$2,945,049 or \$21,062 different than the detail from Attachment AG-4-6 (A). This additional credit reflects the payroll overheads associated with employees in the Lawrence Massachusetts division working in the state of New Hampshire.

The remaining item capitalized on Attachment AG-4-6 (A) was payroll taxes (i.e. FICA, FUTA and SUTA). The entry to capitalize payroll taxes was not recorded as a credit to operation and maintenance expense, rather as a credit to payroll taxes as follows:

Construction Work in Progress	\$603,562
Payroll taxes capitalized Account 640812	(\$603,562)

COMMONWEALTH OF MASSACHUSETTS
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RESPONSE OF BAY STATE GAS COMPANY TO THE
NINETEENTH SET OF INFORMATION REQUESTS FROM ATTORNEY GENERAL
D. T. E. 05-27

Date: June 29, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

AG-19-38 Referring to the Company's response to Information Request AG-1-97, please indicate whether NiSource's outside auditors provided any consulting services to the Company during any of the last three years. If so, please itemize the types of consulting services and quantify the costs of such services.

Response: Please see the Table AG-19-38 below. Table AG-19-38 lists the consulting services provided to NCSC and the amount of the services allocated to Bay State. Consulting services provided by the outside auditors were for tax and legal consultation in 2002 and tax consultation in 2003 and 2004.

Please note that NiSource changed its external auditors from Arthur Andersen to Deloitte & Touche in 2002.

Table AG-19-38

	2002	2002	2003	2004
	Tax Consulting	Legal Consulting	Tax Consulting	Tax Consulting
ARTHUR ANDERSEN				
Total Paid by NCSC	6,829.00	-	-	-
Total Allocated to BSG	453.98	-	-	-
DELOITTE & TOUCHE				
Total Paid by NCSC	102,960.00	223,505.00	70,432.00	139,134.00
Total Allocated to BSG	7,603.29	-	8,400.71	7,541.15